

## STATEMENT OF PURPOSE

### RS19971

The Industrial Commission is required by Idaho Code (I.C.) § 72-523 to collect a tax each year from insurance companies and self-insured employers equal to two & one-half percent (2.5%) of the net premiums collected on all workers' compensation insurance policies in Idaho (or on the premium that would have been paid by a self-insured employer).

This tax is deposited in the Industrial Administration Fund. That fund, created by I.C. § 72-519, is used by the Commission for "administering the workmen's [worker's] compensation law." However, when the balance of the Commission's industrial administration fund is deemed sufficient to fully fund its operations, the law does not provide authority to reduce or waive collection of this tax.

Therefore, the Commission proposes to amend I.C. § 72-523 and create the ability to grant a waiver, in whole or part, of the workers' compensation insurance premium tax when deemed appropriate by the Commission to properly administer the workers' compensation law. This option would provide immediate tax relief to sureties and self-insured employers. This tax reduction has the potential to be passed on to businesses and ultimately result in lower workers' compensation insurance premiums for all insured Idaho employers and lower prices for the goods and services provided by Idaho self-insured employers.

### FISCAL NOTE

This proposed legislation could have a positive, although indirect, impact to the General Fund. A reduction in the premium tax required to be paid to the Industrial Commission under this section for workers' compensation insurance policies would result in an increase in the overall premium tax that is collected by the Department of Insurance. This is due to the concurrent reduction that would occur in the credit that the insurance carriers may take for the amount of workers' compensation premium tax they have paid to the Industrial Commission against the overall premium tax they must pay to the Department of Insurance. Any excess premium tax collected by the Department of Insurance would then be transmitted to the General Fund.

The impact to the Industrial Administration Fund from this proposed legislation would be to permit the Industrial Commission to maintain a fund balance sufficient to meet its ongoing needs and, when prudent, reduce the tax collected from sureties and self-insured employers.

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